

## Message Text

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ACTION OPR-02

INFO OCT-01 ARA-10 ISO-00 A-01 ABF-01 FSE-00 /015 W

----- 100762

R 181612Z SEP 76

FM AMEMBASSY CARACAS

TO SECSTATE WASHDC 4803

UNCLAS CARACAS 11196

E.O. 11652: N/A

TAGS: ALLOW, VE

SUBJ: HOUSING: EMERGENCY REQUEST FOR INCREASE IN  
QUARTERS ALLOWANCE

REF: A. CARACAS 10340, B. STATE 228561

1. SUMMARY: WE APPRECIATE THE DEPARTMENT'S ACTION IN REFTEL  
B. WE ARE SUBMITTING BELOW A SYNOPSIS OF THE EXPERIENCES OF  
REPRESENTATIVE MISSION PERSONNEL IN THE EVENT THE DEPARTMENT  
MAY WISH TO ADJUST LQA RATES LISTED IN PARAGRAPH 1, REFTEL B.  
END SUMMARY.

1. WE APPRECIATE VERY MUCH THE DEPARTMENT'S ACTION IN REFTEL B  
WHICH WILL AMELIORATE SOMEWHAT OUR PREDICAMENT. AS THE DEPART-  
MENT IS AWARE, OUR POINT WAS THAT THE EXTRAORDINARY SITUATION  
IN CARACAS REQUIRED A RADICAL DEPARTURE FROM PREVAILING PRACTICE.  
WE SOUGHT A SUBSTANTIAL INCREASE IN QUARTERS ALLOWANCE WITHOUT  
FORM 1190 DOCUMENTATION BEING REQUIRED SHOWING THAT HALF OF  
EACH LQA GROUP WAS OUT OF POCKET. IN OUR OPINION CURRENTLY HELD  
FORMS 1190 DO NOT ADEQUATELY REFLECT THE STATE OF THE SEPT.  
1976 HOUSING MARKET IN CARACAS. FOLLOWING IS SYNOPSIS OF THE  
EXPERIENCES OF FOUR OFFICERS AND TWO SECRETARIES. ALSO CITED  
BELOW ARE EMPLOYEES WHOSE 1190S HAVE BEEN SUBMITTED AND WHO ARE  
OUT OF POCKET ON THE PRESENT QUARTERS ALLOWANCE. WE SUBMIT  
THESE DATA IN THE HOPE THEY WILL ENABLE THE DEPARTMENT TO ADJUST  
LQS RATES LISTED IN PARAGRAPH ONE OF REFTEL B.

3. LT. COL. EDWARD EIDSON, ASSISTANT ARMY ATTACHE, WITH A  
FAMILY OF FOUR AND A HOUSING ALLOWANCE OF US. \$9,690 A YEAR  
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SAW SEVENTY-THREE HOUSES. HE USED THE FOUR MAJOR RENTAL AGENCIES

IN CARACAS, TRACED WORD-OF-MOUTH AND AD LEADS, AND PLACED NEWSPAPER ADS. RENTS RANGED FROM \$9,813 TO US. \$25,234 PER YEAR. SIX OF THE SEVENTY-THREE HOUSES RENTED FOR LESS THAN \$11,215; TWENTY-NINE OF THE GROUP WERE BELOW \$14,019. HE DID NOT FIND ANYTHING SUITABLE UNDER \$14,019 AND RENTED A HOUSE AT THE PRICE, LEAVING HIM \$361 OUT OF POCKET EACH MONTH.

4. FSO-3 JOHN PERKINS, HEAD OF THE COMMERCIAL TASK FORCE, WITH A FAMILY OF FOUR AND AN ALLOWANCE OF \$9,196 A YEAR LOOKED AT FORTY HOUSES AND APARTMENTS WITH THREE BEDROOMS. IN NORMAL RESIDENTIAL AREAS THE PRICES OF APARTMENTS AND HOUSES WERE FAIRLY CONSISTENT AT NOT LESS THAN \$14,019. ON THE OUTSKIRTS OF THE CITY, APARTMENTS WERE FOUND IN THE \$11,215 RANGE BUT WERE INADEQUATE BECAUSE OF SIZE OR LACK OF ADEQUATE SERVICES. HE IS CURRENTLY NEGOTIATING FOR A SMALL ROW HOUSE WITH MINIMAL REPRESENTATIONAL POSSIBILITIES IN A LOWER CLASS NEIGHBORHOOD THAT WILL LEAVE HIM APPROXIMATELY \$225 A MONTH OUT OF POCKET.

5. FSO-3 ANDREW SCHWARTZ, DEPUTY CULTURAL AFFAIRS OFFICER WITH A FAMILY OF FOUR AND AN ALLOWANCE OF \$9,196 LOOKED AT SIXTY HOUSES AND APARTMENTS. HE WAS UNABLE TO FIND A SUITABLE HOUSE FOR LESS THAN \$12,617 TO \$14,019 PER YEAR. HE IS TAKING AN APARTMENT AT \$12,056 A YEAR AND IS OUT OF POCKET \$285 PER MONTH.

6. POLITICAL COUNSELOR MYLES FRECHETTE WITH A FAMILY OF FOUR HAS SEEN THIRTY HOUSES AND APARTMENTS. HE HAS CONSIDERED ONE APARTMENT FOR \$11,215, ONE HOUSE FOR \$14,019, 3 HOUSES FOR \$15,420 AND ONE APARTMENT FOR \$16,822. ALL LACKED REPRESENTATIONAL POSSIBILITIES. BASED ON HIS EXPERIENCE TO DATE, THE VAST MAJORITY (22 OUT OF 30) OF HOUSES WITH SOME REPRESENTATION POSSIBILITIES ARE IN THE \$19,626 TO \$22,430 RANGE. THIS RANGE IS ALMOST TWICE THE AMOUNT NOW BEING PAID FOR THE HOUSING OF EQUIVALENT SIZE AND REPRESENTATIONAL STANDARD OF OTHER COUNSELORS.

7. THE SECRETARIAL STAFF HAS ENCOUNTERED SIMILAR DIFFICULTIES. THE AMBASSADOR'S SECRETARY, VITA PALAZZOLO, WHOSE ALLOWANCE IS \$5,300 HAS LOOKED AT FIFTEEN TWO-BEDROOM APARTMENTS IN VARIOUS SECTIONS OF THE CITY, ALL AT AN AVERAGE COST OF \$8,411. FSS-8 MAY LEEN ANG, WITH A HOUSING ALLOWANCE \$4,700 A YEAR, UNCLASSIFIED

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HAS FOUND THE COST OF ONE-BEDROOM APARTMENTS TO AVERAGE \$5,607 A YEAR. THESE ARE USUALLY SMALL EFFICIENCIES BY US. STANDARDS, WITH NO STORAGE FACILITIES. SHE IS SIGNING A LEASE FOR A TWO-BEDROOM APARTMENT BEING VACATED BY ANOTHER EMBASSY EMPLOYEE AT A RENT OF \$7,009 A YEAR, OR TWICE THE PREVIOUS RENT, AT AN OUT OF POCKET COST OF \$208 A MONTH.

8. MR. WILLIAM MOFFETT, WHOSE ALLOWANCE IS \$5,300, HAS A MODEST THREE-BEDROOM APARTMENT. THE TOTAL COST PER YEAR IS \$8,089. HE IS \$213 A MONTH OUT OF POCKET. HE ENTERED INTO HIS LEASE ON JULY 1, 1976.

. MR. DOUGLAS J. MARR'S QUARTERS ALLOWANCE IS \$8,700 PER YEAR. HE LEASED HIS HOUSE AUG. 15, 1976 FOR \$13,286 PER YEAR. HE IS \$382 OUT OF POCKET PER MONTH.

10. MR. ROBERT BOSSARD ARRIVED AT POST JUNE 3 AND HIS LEASE BECAME EFFECTIVE JULY 1, 1976. HIS TOTAL COST PER YEAR IS \$11,869. HIS LQA IS \$8,700 PER YEAR. HE IS \$254 OUT OF POCKET A MONTH.

11. MR. THOMAS E. CARROLL'S QUARTERS ALLOWANCE IS \$9,400 PER YEAR. HIS TOTAL COST PER YEAR IS \$11,844. HE IS \$203 OUT OF POCKET A MONTH. HE ENTERED INTO HIS LEASE ON SEPTEMBER 18, 1975.

12. AN LQA INCREASE SUFFICIENT TO BRING EMPLOYEES WHO SIGNED LEASES IN JUNE, JULY AND AUGUST WITHIN THEIR ALLOWANCES WILL NOT BE ADEQUATE TO COVER EMPLOYEES IN THE PRESENT HOUSING MARKET. RENTS ARE INCREASING MONTHLY, IF NOT WEEKLY. FSO-4 CLAGETT TAYLOR ENTERED INTO A LEASE IN 1974 FOR A FOUR-BEDROOM HOUSE AT \$6,449 A YEAR. HE WAS FORCED TO DECIDE TO VACATE HIS QUARTERS IN JUNE 1976 WHEN HIS LANDLORD RAISED HIS RENT TO \$11,215 A YEAR. THE HOUSE IS NOW ADVERTISED AT \$15,421. AND SO IT GOES IN THE CARACAS RENTAL MARKET.

13. THE QUADRUPLING OF OIL REVENUES SINCE 1973, IN CONJUNCTION WITH A 110PERCENT INCREASE IN \$1975 MONEY SUPPLY, HAS FUELED INFLATION. THE MONEY SUPPLY INCREASED ANOTHER 9PERCENT IN JULY 1976 ALONE, AND THE PRESIDENT OF THE CENTRAL BANK ANNOUNCED IN AUGUST A RELAXATION OF MONETARY RESTRAINT ALLOWING A FURTHER UNCLASSIFIED

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INCREASE IN MONEY OF 10-20 PERCENT OVER THE NEXT FEW MONTHS. THIS HAS CAUSED THE COST OF THE LIMITED AMOUNT OF HOUSING AVAILABLE TO INCREASE DRAMATICALLY. THE GROWING TENDENCY FOR MULTINATIONAL CORPORATIONS AND BANKS TO ESTABLISH REGIONAL OFFICES IN CARACAS, ALONG WITH AN INFLUX OF FOREIGN EXECUTIVES AND TECHNICIANS INTO RAPIDLY EXPANDING VENEZUELAN FIRMS, HAS BROUGHT FURTHER PRESSURE TO BEAR ON THE LIMITED HOUSING MARKET.

14. WE SEE NO PLATEAU IN SIGHT ON HOUSING COSTS. WITH THIRTEEN FAMILIES CURRENTLY ON TLA AND THIRTEEN MORE EXPECTED IN THE NEXT TWO MONTHS, RELIANCE ON TRADITIONAL METHODS OF ADJUSTING LQAS WOULD IMPLY ASKING NEW PERSONNEL TO SIGN LEASES AT RATES FROM 40 TO 100 PERCENT OVER THE CURRENT ALLOWANCES AND TO CARRY SUCH A BURDEN FOR A LONG TIME IF THEY HAVE THE MISFORTUNE TO BE IN AN LQA GROUP DOMINATED BY EMPLOYEES WITH TWO AND THREE YEAR

OLD LEASES. WE CONSIDER THIS UNACCEPTABLE, BOTH FROM THE STAND-  
POINT OF MORALE AND ITS EFFECT ON THE OPERATING EFFICIENCY OF  
THE MISSION, AS WELL AS ON SIMPLE GROUNDS OF EQUITY AND HUMANENE-  
NESS. THE FACT THAT SOME AGENCIES ARE RECOGNIZING THE PLIGHT  
OF THEIR EMPLOYEE AND CONCEDING GRANTS ABOVE THE LEVEL OF  
QUARTERS ALLOWANCES PRESCRIBED BY THE MISSION IS AN ADDITIONAL  
COMPLICATING FACTOR, THOUGH UNDERSTANDABLE. WE REGRET,  
NEVERTHELESS, THIS TENDENCY AWAY FROM OUR ATTEMPTS TO  
INSTITUTE A UNIVERSAL, EQUITABLE AND SYMMETRICAL CEILING FOR THE  
PERSONNEL OF ALL AGENCIES. THE SITUATION IS SUCH THAT IMMEDIATE  
INCREASES MUST BE GRANTED IN THE LQA EVEN WHEN LEES THAN  
10 PERCENT OF A PARTICULAR LIVING QUARTERS GROUPS IS OUT OF  
POCKET. IF THE SITUATION CONTINUES, THE EMBASSY WILL SERIOUSLY  
CONSIDERING REQUESTING GOVERNMENT LEASES FOR ALL PERSONNEL OUT  
OF POCKET AS WELL AS ALL INCOMING PERSONNEL.  
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